

## Message Text

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ORIGIN ARA-17

INFO OCT-01 ADP-00 AID-20 IGA-02 SCI-06 GSA-01 OEP-01

INT-08 CIAE-00 COME-00 EB-11 FRB-02 INR-10 NSAE-00

RSC-01 TRSE-00 XMB-07 OPIC-12 CIEP-02 LAB-06 SIL-01

OMB-01 DODE-00 PM-09 H-02 L-03 NSC-10 PA-03 PRS-01

SS-15 USIA-12 /164 R

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S E C R E T STATE 095686

E. O. 11652: GDS

TAGS: PFOR, BL

SUBJECT: PRE- IG REVIEW OF FY 74-75 CASP

REF: STATE (#)

1. AS INDICATED REFTTEL, PRE- IG RECOMMENDED ISSUE OF IMPACT U. S. STRATEGIC STOCKPILE DISPOSAL PROGRAMS ON BOLIVIA BE INCLUDED IN CASP AND REVIEWED BY IG AT JUNE 12 MEETING. ARA/ BC HAS PREPARED RELATED ENVIRONMENTAL ANALYSIS AND GOALS, OBJECTIVES AND COAS FOR ADDITION TO CASP AND HAS DRAFTED NEW ISSUE ANALYSIS SECTION. TEXT OF ISSUE ANALYSIS FOLLOWS FOR CT INFORMATION AND COMMENT. WE WOULD APPRECIATE CT COMMENTS SOONEST SO THAT ITS VIEWS MAY BE INCORPORATED IN ISSUES PAPERS BEING PREPARED FOR IG MEETING.

2. BEGIN TEXT:

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STATEMENT OF ISSUE NO. 1:

HOW SHOULD THE U. S. CARRY OUT ITS STRATEGIC STOCKPILE DISPOSAL SALES OF TIN AND OTHER MINERAL COMMODITIES UPON WHICH THE BOLIVIAN ECONOMY IS HEAVILY DEPENDENT WITHOUT SERIOUSLY DAMAGING OUR ECONOMIC/ SOCIAL DEVELOPMENT AND SECURITY INTERESTS IN BOLIVIA?

IMPORTANT ASSUMPTIONS:

1. PRESIDENT NIXON HAS DIRECTED RESUMPTION OF SALES OF STOCKPILE TIN AND THE ACCELERATED SALE OF OTHER COMMODITIES WHICH ARE IN EXCESS OF OUR STRATEGIC REQUIREMENTS IN AN EFFORT TO: DAMPEN THE RAPID RISE IN COMMODITY PRICES; SAVE FOREIGN EXCHANGE; INCREASE USG REVENUES; AND REDUCE STOCKPILE MAINTENANCE COSTS.
2. THE BOLIVIAN ECONOMY WILL CONTINUE TO BE HEAVILY DEPENDENT ON THE EXPORT OF MINERALS WHICH ARE CARRIED IN OUR STOCKPILE AND ARE IN EXCESS OF OUR STRATEGIC NEEDS.
3. OUR STOCKPILE DISPOSAL PROGRAMS HAVE THE POTENTIAL TO DISRUPT WORLD COMMODITY MARKETS AND SERIOUSLY DEPRESS WORLD MARKET PRICES.
4. IT IS NOT POSSIBLE TO PREDICT WITH ANY CERTAINTY THE IMPACT OF OUR STOCKPILE DISPOSAL PROGRAMS ON WORLD COMMODITY MARKETS, EVEN THOUGH THEY ARE CAREFULLY DESIGNED TO AVOID MARKET DISRUPTION.
5. A SUBSTANTIAL FALL IN WORLD METALS PRICES, ESPECIALLY THAT OF TIN, WOULD HAVE A PROFOUND NEGATIVE IMPACT ON THE BOLIVIAN ECONOMY, AND NEGATE THE EFFECTS OF OUR ECONOMIC ASSISTANCE PROGRAMS IN BOLIVIA, AS WELL AS REDUCE THE INCOME WE WOULD REALIZE FROM STOCKPILE SALES.
6. BOLIVIA IS HYPERSENSITIVE TO OUR STOCKPILE DISPOSAL PROGRAMS, AND ANY DISLOCATION OF THE BOLIVIAN ECONOMY ATTRIBUTABLE TO OUR STOCKPILE SALES WILL WEAKEN THE PRESENT GOVERNMENT AND STRENGTHEN THE LEFTIST OPPOSITION WHICH IS GENERALLY HOSTILE TO THE U. S.

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7. ANY ATTEMPT TO OFFSET THE POSSIBLE ECONOMIC DAMAGE RESULTING FROM OUR DISPOSAL ACTIONS BY INCREASING OUR ECONOMIC ASSISTANCE TO BOLIVIA WOULD BE ILLOGICAL AND UNECONOMIC.

ISSUE RESOLUTION:

RECOMMENDATION: THAT WE DESIGN OUR STOCKPILE PROGRAMS TO ACHIEVE AS MUCH PROGRESS AS POSSIBLE TOWARD REALIZING OUR DOMESTIC GOALS ( PRICE REDUCTION, BALANCE OF PAYMENTS SAVINGS, INCREASED GOVERNMENT REVENUE AND LOWER OPERATIONAL COSTS FOR THE STOCKPILE) WITHOUT SERIOUSLY HARMING OUR FOREIGN POLICY INTERESTS. SUCH PROGRAMS WOULD ESTABLISH A SALES TARGET WHICH WOULD GO AS FAR AS POSSIBLE TOWARD ACHIEVING OUR DISPOSAL OBJECTIVES WITHOUT, HOWEVER, DEFEATING OUR FOREIGN POLICY OBJECTIVES IN BOLIVIA BY DISRUPTING WORLD MARKETS OR SERIOUSLY DEPRESSING PRICES. AS A MINIMUM SAFEGUARD, THE SALES LEVELS WOULD HAVE TO BE

FLEXIBLE, PERMITTING THE UPWARD OR DOWNWARD ADJUSTMENT OF SALES QUANTITIES, OR THE SUSPENSION OF SALES, DEPENDING ON THE EFFECTS OF OUR ACTUAL SALES ON THE MARKET PRICES AND THEIR REPERCUSSIONS ON OUR BILATERAL RELATIONS.

REASONS FOR RECOMMENDATION:

BECAUSE OUR STOCKPILE DISPOSAL PROGRAMS POSE AN INHERENT CONFLICT BETWEEN OUR DOMESTIC INTERESTS AND OUR FOREIGN POLICY INTERESTS IN BOLIVIA AND OTHER PRODUCER COUNTRIES, THEY MUST BE TAILORED TO AVOID SERIOUS PREJUDICE TO EITHER INTEREST.

REASONS AGAINST RECOMMENDATION:

THE ATTEMPT TO BALANCE OUR DOMESTIC AND FOREIGN POLICY INTERESTS SERVES NEITHER WELL: WE SHOULD EITHER FORMULATE DISPOSAL POLICIES THAT MAXIMIZE THE DOMESTIC BENEFIT, OR SUSPEND SALES TO AFFORD MAXIMUM PROTECTION TO OUR FOREIGN POLICY INTERESTS.

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ALTERNATIVES:

THE FOLLOWING ALTERNATIVES WERE CONSIDERED AND REJECTED:

1. DESIGN STOCKPILE DISPOSAL PROGRAMS TO MAXIMIZE THE BENEFIT TO OUR DOMESTIC INTERESTS WITHOUT CONSIDERING THE POSSIBLE FOREIGN POLICY CONSEQUENCES.

2. SUSPEND STOCKPILE DISPOSALS TO PROTECT OUR FOREIGN POLICY INTERESTS.

3. FORMULATE DISPOSAL PROGRAMS THAT SEEK TO BALANCE THESE CONFLICTING INTERESTS WITHOUT ANY COMMITMENT TO RE-

WISE THEM IN THE EVENT THEY SERIOUSLY PREJUDICE THE  
BOLIVIAN ECONOMY. END TEXT RUSH

NOTE BY OC/ T: (#) REFTEL OMITTED.

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